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IMPACTS OF COVID-19 ON THE NONPROFIT SECTOR: AN ECONOMIC AND
COMMUNITY UPDATE

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>> JON PRATT: Good morning. Welcome to today's program, Impacts of COVID-19 on the Nonprofit Sector. I'm Jon Pratt, Executive Director of the Minnesota Council of Nonprofits, and I'll be introducing the program and helping with the Q & A. We have over 550 people registered for this program through Zoom, and I should mention MCN members get a 20 percent discount on Zoom subscriptions. Today's event is being closed-captioned and is recorded and will be available afterward with a transcription. The purpose of today's event is to examine current conditions in the nonprofit sector in four parts, beginning with the impact survey results, and respond to your questions and comments posted using the chat mode at the bottom of your screen. We're set for 60 minutes but can go longer if needed. I want to thank our partners, Federal Reserve Bank of Minneapolis for logistics and analysis of the impact survey, 500 Minnesota nonprofits that shared their experiences in the survey and our four presenters. First we'll hear from Kari Aanestad, director of advancement reporting on the Minnesota nonprofit economy and the impact survey results with the full report now available at MCN's website and I notice there's a link shared as well. Next we'll get an assessment from Kate Barr, CEO of

Propel Nonprofits of how nonprofits have accessed payroll correction SBA loans and next steps to forgiveness. A month ago when MCN and Propel did a program on the PPP we had 400 participants and 200 questions, so expecting a lot there. Third we'll hear a progress report from Susie Brown, president of the Minnesota council on foundations on MCF's disaster recovery program and then ask Terri Thao program director at Nexus community partners to address what the next stage will need to address and communications and development assistant and I will be track being the questions. First up, Kari Aanestad, what does the impact report tell us?

>> KARI AANESTAD: Thank you, Jon. Good morning, everyone. My name is Kari Aanestad, I use she/her pronouns, I am Director for the Advancement of Minnesota Council of Nonprofits. This report on the update builds off MCN's past research, 16 years of leading an annual study on Minnesota's nonprofit economy, that annual report really examines the role of Minnesota's nonprofit sector in terms workforce and employment trends and this special report just published today will take a deeper dive into some trends we're seeing blending past research as well as hot off the presses analysis from the survey conducted and led by the Federal Reserve Bank of Minneapolis. Next slide you can see a cover of the report and we will dive in.

So it's first important to understand if you look on the next slide what did Minnesota's nonprofit economy look like before our world began to change with the impacts of COVID-19? Many of us know that Minnesota has one of the strongest nonprofit sectors in the United States, we often rank at the top or near, the top for charitable giving, volunteerism, voting, we make up 15 percent of the state's economy the pie chart on the right shows you that that we are about as big as government, we have 9,000 nonprofit employers who employ 385,000 people, that's 13 percent of the workforce, it's important to note that about half of those 9,000 employers are direct reimbursers and are impacted by some changes around the expansions to unemployment insurance which we'll cover later.

Together, those organizations generate \$86 billion of revenue annually. So on the next slide, you can see how those income sources come into nonprofit organizations. This is a graph pulled directly out of the report and what it's showing you is the four major sources of nonprofit income: Government, charitable giving, earned income, and other. We've broken it down by budget size. So breaking all of nonprofits into kind of four budget cohorts. There's a lot of nuance in this but I'll just highlight two main trends. So on the first kind of chunk

of lines, that's government. You can see a trend line going up, which basically means the larger the nonprofit organization is -- the larger the nonprofit organization is, the more likely they're going to get a majority of their funding from government, either contracts, grants or reimbursement fee for services. The next kind of chunk is charitable income, and you can see a trend line going down. So what that tells us is that the smaller a nonprofit organization is in terms of its total annual revenue, the more reliant they're going to be on charitable dollars. On the next slide we looked at distribution of income by major nonprofit activity areas. So you can see kind of an even spread of different sources. The first one we're looking at arts organizations, followed by education, then Health and Human Services. Just a few notes on each overall, arts organizations on average receive half their total revenue through ticket sales and special events and one-third of revenue coming from charitable giving, largely corporate giving, so you can imagine that cancelled shows and Special Fund raising events have hit these organizations especially hard in recent weeks. Education, moving to the next set of charts, receives a third of the revenue from earned income mostly tuition and board and a third from charitable giving. So board with students living on campus is a significant source of income that may be either a loss or significantly reduced in the coming months as we continue to see what the world bears around social distancing measures to slow the spread of the virus. The next set is large hospitals, community clinics, all those that fall under health organizations. We see that these groups receive majority of their funding from state contracts, federally funded programs like medical assistance, so together those represent 60 percent on average of their total revenue, and then commercial insurance reimbursements account for 15 percent. Finally we have human service organizations, these are food banks, shelters for those experiencing homelessness or domestic violence, chemical health recovery, on average we see a quarter of their revenue coming from government reimbursement and service fee. Human service organizations are the second most reliant on charitable giving in terms of the average of their total revenue. Service disruptions have hit these groups especially hard. So they are still incurring fixed expenses like staff salaries but maybe haven't been able to deliver services in the same way and therefore request reimbursement for those costs. So in a survey we see that 60 percent of these groups said they would start to experience significant financial distress within the next six months. So diving into some more specifics on what the survey

yielded, so in early April, the Minnesota Council of Nonprofits took part in this national survey distributed by the Federal Reserve Bank with the goal of assessing the impacts of COVID-19 on the work of the nonprofit sector. In total, 2400 nonprofits nationally responded to the survey and over 520 were from Minnesota so we actually represented 21 percent of the nonprofit sample. When we look at who in Minnesota responded, we see that nonprofit organizations from Minnesota were largely representative of the sector as a whole in terms of the distribution of budget sizes, activity areas and geography. One of the first questions at the survey at this level of time was what is the COVID-19 having on the communities you serve? We see that their communities were going to be facing kind of significant disruptions with longer term recovery. You do see a little bit of a difference between the Twin Cities and greater Minnesota and we think this is largely because in early to mid April, the spread of COVID-19 was largely concentrated in metro areas and hadn't yet reached greater Minnesota. It's also worth calling attention to that there's been some local coverage and then national data coming out from the CDC that black, indigenous and people of color communities have been disproportionately affected by both the virus itself and some of the early economic trends related to unemployment. So we'll be continuing to watch that and paying particular attention to the impact on those communities going forward. The next slide, the survey examined the specific types of impacts on nonprofit organizations so far. They asked about kind of demand for services, ability to provide services and staffing levels. Already within the first few weeks of this virus, we're seeing increased demands for services on nonprofit organizations, some reporting a decreased ability to provide those services. And so far, kind of 42 percent of organizations say they have not yet experienced changes in staffing levels. In early April we got some preliminary data from the Minnesota department of employment and economic development that said that nonprofit unemployment claims accounted for about 6 percent of total unemployment claims in the whole state, which when you compare that to the fact that our workforce represents 13 percent, that that's doing pretty good so far.

The next slide, this is a chart actually grabbed from a different article that Jon and I recently published in the Nonprofit Quarterly looking back at the last recession what can we learn. So the orange line shows number of employees in the business sector and the blue line is number of employees in the nonprofit sector. So in the last great recession, what we saw

was when an economic recession hits, communities are hit especially hard and demand for services from nonprofit organizations goes up. We can see here that this is one carries that the growth of nonprofit employment shows increased demands for services. Obviously this is a completely new world that we're in now and past behavior isn't necessarily reflective of future performance, but it does tell us that the nonprofit economy tends to work a little bit differently than the rest of the economy. So in addition to looking at demand for services, the survey also asks about impacts on both expenses and types of revenue for nonprofit organizations. So on the next slide, we can see that 43 percent of folks had already reported experiencing increased expenses or anticipating increased expenses in the coming months. We also saw that in terms of fee for service and government funds, most folks either hasn't yet experienced a change or might have even been anticipating an increase in funding from those sources, but a little bit concerning was the number of folks who were expecting or anticipating a decrease in philanthropic funding. So on average, nonprofits, charitable dollars account for 36 percent of nonprofit revenue on average. But as we saw earlier, smaller nonprofit organizations in particular are more reliant on charitable giving. So for those who have 0 to \$400,000 of annual income, charitable giving accounts for about half of their budget. So it's just something to watch if philanthropic funding does go down, it's likely that smaller nonprofit organizations will feel the impacts of that more. The next slide we look at looking forward, the survey asked how many months can your nonprofit organization operate in the current environment before exhibiting financial distress? What we see is kind of across the board either if you're in greater Minnesota, the Twin Cities or statewide, about 60 percent on average said we have between now and six months from now before we start really seeing financial distress. So it's likely to be a hard summer and fall for many organizations. On the next slide we looked at that level of financial distress and disruption by activity area and saw that arts organizations were reporting the highest level of distress, followed by health, human services, and public society benefit and education. Finally wrapping up, we anticipate four key challenges facing nonprofit organizations in our communities in the coming months. First epic uncertainty I'm sure many of us are living in, boards and managers have had to immediately change budgets, staffing plans, responsibilities, all in response to the shut down and after this emergency response we're all going to be responsible

for developing plans for how we move forward in terms of offering our services, staffing the work, generating revenue and covering expenses. So we're doing this all in the context of a huge set of unknown shifts, overall economic activity. We'll likely continue to see financial crisis, so MCN projected that collectively nonprofit organizations in kind of March to April alone lost \$1 billion in revenue and with service disruptions continuing that's likely just going to grow. Among those hardest hit are like you said earlier arts organizations and museums who rely on ticket sales for live performances and events. The payroll protection program forgivable loans did provide some temporary support for nonprofit employers but large parts of our sector were left out of that. As economic collapse begins to layer on top of this public health crisis, it's going to become very clear that no single organization alone can confront this and that recovery may be grim for many of us but MCN among other groups have been a part of public policy efforts to ensure relief and make sure that nonprofit organizations are included in any relief efforts. We're also going to be seeing racial inequality and we've already been seeing it already. So organizations serving racial and ethnic community were already on unequal footing with both their balance sheets and revenues into this pandemic, and the communities they're serving are disproportionately affected by the coronavirus and likely the recession as well. In our most recent briefing with the governor and lieutenant governor, lieutenant governor Peggy Flanagan this create quote, the goal for our recovery should not be to restore Minnesota to the status quo, but we should make it better. And we're only going to be able to do that if we address gaps in leadership, in resources and working capital. Culturally specific groups that serve black, indigenous, and people of color communities should be recognized as essential services and require priority consideration in the allocation of recovery resources. And then finally, we're looking at an altered nonprofit role. Nonprofit organizations that set out to change this world are now confronting themselves a less stable and changed world with unclear shifts on what the community is going to need and what resources are going to be available. The role of nonprofits in supporting communities will likely need to be reassessed and serve even greater attention to those involving the people most impacted by the crisis in terms of health, lost income, employment and housing stability. So this is an opportunity for the nonprofit sector to come together to use our rights as First Amendment and contribute to democracy by bringing our nonprofit experience and

connecting community voices into public decision-making. And with that, I will turn it over to Kate Barr.

>> JON PRATT: Kari, actually, there was a comment asking about, well, were the decreases in charitable giving already occurring before this whole COVID-19 occurred?

>> KARI AANESTAD: That's a great question and it's been something that researchers have been watching ever since the passage of kind of federal tax changes back in late 2017, 2018. In short, yes. We've seen some relative declines particularly on individual giving. Not as much with institutional grant making, and Susie Brown will talk more about what the philanthropic response has been from the grant making side, but in short, yes, some changes, some reductions from individuals in this pandemic.

>> JON PRATT: Great. Thank you. Kate, we already have a number of comments and questions about the PPP. How is it going?

>> KATE BARR: Well, thanks for asking. So as many much you know, Propel Nonprofits has really been very active in helping to make the PPP Paycheck Protection Program understandable, how to access it, how to apply and now of course the questions are about how to make sure that those funds get forgiven. I want to quickly recap, as you recall the PPP was first put in place with the CARES Act on March 27, it went live for applications on April 3, I'm sure many of you are having emotional responses just to my saying that because that initial first week was pretty terrible in the experience a number of us were having in putting applications in, it was pretty terrible for the banks too, to tell you the truth, and the first chunk of money was completely exhausted within a couple weeks and of course it did seem quite Hunger Games like, as many of you have that experience, Congress then appropriated a second chunk of money another about 300 billion to do another round of the PPP and that opened up on April 27 and I will say that after a couple of wobbly days, the second round has gone considerably better and particularly for nonprofits here in Minnesota, it's been different around the country, but because we have such a strong banking sector with both large and small and communities banks, the nonprofits have actually had better access to it and have had better success. I will say that in the first round nationally, the average loan size was over 200,000 and then the second round that we're in now, the average loan size is 74,000. So kind of the larger companies went in the first time and now we have smaller companies, smaller businesses and nonprofits getting in. The experience right now is there's still money

left. So if your organization is eligible and there's information on the Propel website about what that would be, if you believe you are still eligible for PPP and have not yet submitted an application, I encourage you to consider, contact your bank or contact me at Propel and we'll find a way to get an application in because there is still funds left because of the smaller size and the somewhat easier access.

I'll say that of the approximately, we've had one on one conversations with about 300 nonprofits in the last six or seven weeks, and all of those that have applied have gotten their PPP funds. So I will say that the access is better. There's lots to unpack around equity and access, but right now I can say that there's access. The two big questions that are coming up now, especially for those of you who did obtain a PPP loan, is number one, how do I make sure it gets forgiven? Because that's the reason to do it. And I will tell you unfortunately we are now on day 35 of when the SBA said they would issue guidelines on the forgiveness soon and we are now on day 35 waiting for that. So we look every day, the banks are looking every day, I'm sure that you are checking in or maybe on webinars with your CPA firm, with your bank, and everyone is essentially operating under those initial guidelines that said the keys are, and I will give the same advice, make sure you use it for allowable purposes, which is payroll costs, rent and a couple of very specific, utilities and a couple very specific other uses, make sure you use it for that reason and make sure you document how you use it so that you can during that eight week very specific time from when you got the loan, that you can document you used it exactly that way, because that is essentially the key to the forgiveness piece. What that actual application, the request for forgiveness will look like, what the documents will be, we don't know until the SBA issues these guidelines. We are all operating under those original guidelines, we could just say be sure you use it right and be sure you document T that's my advice.

The other big question that's come up recently and it's gotten a lot of attention recently is this question that really the question was raised because of these bigger companies, I'm sure you've read about it in the news, that got PPP even though that seemed not to be the intent, and the pushback on public companies getting access to PPP, these larger companies that were able to use some of the rules to get access and the pushback to that is that the SBA has issued, they have some FAQ's they are continually updating and the question comes down to, there's a certification in the application that says that

you certify that the current economic uncertainty makes this loan necessary to support the ongoing operation of the applicant. The early guidance for what that meant and the early guidance from everyone was, the SBA, there was no credit reviewed, there was no criteria. If you said that was true, it was true. Now, because of those large companies and because of the pushback, the public pushback, the SBA is now kind of starting to indicate that they actually expect documentation of that, they actually expect that that certification is made, the phrase that is everywhere in the guidance is "in good faith," that in good faith that you have demonstrated that the PPP loan is necessary. The way to do that, the advice I would give you, the advice we're hearing now, is document why you believe in good faith that it's necessary. Are you doing budget revisions, are you reforecasting, are you doing scenarios and cash flow plans, do you have reason to demonstrate that this is necessary so that you can pay people for these eight weeks and continue operations. I wish I could give you a more definitive answer to that question. I know you would like it. I know that there have been members of Congress have thrown out proposals like it should be this and this and this. Right now we're waiting for the SBA. They are not -- the SBA doesn't tend to have super-specific rules like that. I would frankly be surprised if there was a real bright line that said if you have more than X dollars, that's the rule, but it will be very much dependent on that good faith. So I would say first of all, ask yourself, is this necessary for you to continue operations for the future? And can you document that through kind of your budgets, your projections, your discussions and the actions that you've taken? Right now there is a Safe Harbor that businesses and nonprofits can pay back by the 14th. If the SBA comes out with more specific guidance about what this means, they will then have to extend the Safe Harbor for that. And I think that you're just going to have to do that internal work at the organization. We're all just waiting for the SBA to come back with these -- with the guidelines, and I wish that I had more definitive rules. One thing I will say is that in the survey and in the other materials, a lot of research was done early in April about the results with PPP when we were in that first mad scramble, and again, I'm just really happy to say that the second round has gone considerably better. And again, if you still believe that you're eligible and have not applied, please contact your bank or get in touch with me. So thanks, Jon.

>> JON PRATT: Thank you, Kate. As you can anticipate, a number of questions and we'll come back to this, but one of the

ones I wanted to highlight, Senator Johnson proposed in Wall Street Journal that nonprofit organizations not be given forgiveness of a PPP loan if net assets exceed twice the loan amount. Do you have any thoughts on that proposal?

>> KATE BARR: The update I have is that that's not a proposal, Senator Johnson said that to the Wall Street Journal is all I can say. There is no particular proposal, there is no regulation at the SBA, this is a regulatory matter, not a congressional matter unless they were to take congressional action and that kind of specific rule, that's the example I use about the SBA doesn't tend on use rules like that, it's frankly unworkable because then what would be the for profit business equivalent of it. All I can say is it's not a proposal, it was his opinion.

>> JON PRATT: Great. Well, Susie, Susie Brown of MCF, you had a lot of activity in creating this fund and there was a flurry of publicity. What's the current status?

>> SUSIE BROWN: Thanks, Jon, and good morning, everyone. It's nice to be here. I'll give you the current status of the fund as well as a couple of other observations from the field of philanthropy. First of all, I just wanted to acknowledge that there was this data point in the study that 31 percent of Minnesota nonprofits anticipated decrease in philanthropic funds and there was a little chat discussion about individual donations had been on the decline prior to this. I will say that from the foundation perspective, I have seen zero evidence that there will be any drop in foundation funds at this time and on the contrary, there's likely to be an uptick. We are participating in a national effort through Candid to collect data on philanthropic giving during this time. They collect annual data and they're doing a special project to collect data during this time. And so anyone on the call who is from a foundation, please help us by participating in that data collection so we can get a good picture of what happens with philanthropic giving during this time. I'm going to mention three things. One is individual foundation changes, a second on philanthropy's collective response and then a third is just a moment about government response. In philanthropy in Minnesota, many, many individual foundations are doing their best to make changes so that they can be more responsive and give more resources in a way that is workable and responsive to the needs in the community right now. Some of those things look like increasing grant amounts to current grantees, creating now grant opportunities specifically related to COVID impact, transitioning program related grants to general operating

grants, extending timelines and altering reporting requirements, and in particular with community foundations throughout the state of Minnesota, establishing special funds, local special funds that can be used to redistribute resources out to the community. I would like to give our thanks to MCN for their updated online version of the Minnesota Grants Directory, that's a place where you can see information from local foundations about how they are responding specifically and any Minnesota foundations on the call, if you have not provided your information into that resource, please do so by contacting grace at MCN so they can update that on their website. It's a great service to the nonprofit sector.

Through the Minnesota council on foundations, we've developed a collective response which is called an integrated capital approach, it's both grant making and program related investments. The thing that you may be aware of is called the Minnesota disaster recovery fund, which Jon mentioned. That was a fund we created very quickly when this was coming, when we could see that it was coming, and we have been able to pool the resources of interested foundations to raise \$11 million, \$6 million of which have been distributed to the community and another \$5 million which we will be distributing later this month and further out into the future. The decision-making is directed by an advisory committee and I would like to thank Terri Thao who will be next on this call as one of the members of the advisory council as well as Nokoo (sounds like) from the Minnesota Council of Nonprofits and certainly community members, the focus of the funding so far has been to support nonprofit organizations, small businesses and individuals and families, and we do that by making grants to intermediary groups who know the community, know the specific needs and can regrant within their community to address those needs specifically. We're shifting our focus for the remaining \$5 million to be entirely focused on nonprofit recovery and resilience so all the grants going forward will be directed toward intermediary groups that can redistribute the resources to nonprofits or can provide technical assistance to nonprofits that are seeking government resources or need other kinds of technical assistance in this time. We have a new grant application and it went up on our website this morning. It's www.mcf.org, you can find the application there, it will be due in a week or so and next grant round will be at the end of this month. We also have as a part of our integrated capital approach a new project which is about creating program-related investments that are directed to CDFI's, community development financial institutions, and CDFI's

in Minnesota support small businesses, nonprofits, housing and other critical community infrastructure. We have a request for proposal to CDFI's that will be sent to you directly if you are a CDFI. You should be receiving that. And we'll be having an informational webinar next week. So this is the collective response of philanthropy at the moment coordinated through the Minnesota council on foundations. Very briefly, I would like to mention that philanthropy and nonprofits have a long partnership in advocating for the strength of the sector at the government level, and both state and federal. A couple of things we're working on together MCN and MCF and others at the moment include proposals at both the state and federal level for resources that would flow through nonprofits to individuals and small businesses and other community needs, resources that would flow specifically to nonprofits for their own institutional recovery and resilience, flexibility in government grant requirements and timelines, and strengthening of the charitable tax deduction including an expansion of the Minnesota nonitemized deduction. So those are a few updates from the field of philanthropy. If you have questions in particular around MCF's response which includes the Minnesota disaster recovery fund or the program-related investment efforts towards CDFI's, I would invite you to contact me directly, which you can do so at sbrown@mcf.org. Thanks.

>> JON PRATT: Great. Thank you, Susie, and certainly thank you for the partnership with MCN and other nonprofits. Clearly we share the mission of effective philanthropy and successful nonprofit organizations, especially in a crisis like this. Of course the big question is, well, what happens next? We're getting through sort of the immediate emergency mode, recovery is going to be the biggest challenge of all. So Terri Thao, thank you for joining us. What do we need to be thinking about?

>> TERRI THAO: Thanks, MCN and Jon and everybody to have me join. First we want to talk about what particularly the impact has been right now for different racial ethnic groups. We also know as well as groups, disabled groups, communities, youths, seniors, of which were impacted by structural disparities prior to COVID and which I have affectionately called Minnesota at times land of 10,000 disparities and of which we in the nonprofit sector are a part of as well, which we know that before this, black indigenous people of color nonprofits overall received fewer grant dollars and these grant dollars also had more restrictions. And that oftentimes these nonprofits were doing the deep work of bringing communities together, talking about really deep root causes in our communities. And while

many in our sector and state over the past couple years has really been embracing beliefs and language around racial equity in particular and trying to implement activities so we can be held accountable for this, the pandemic come at a point where we were just starting to make headway. While we appreciate there's data out there for example from DEED to talk about who is applying for unemployment and that data is disaggregated, until we can get representation at tables, many recovery and relief efforts will still be built in the system where there's already structural bias in place. Right? And so for example some of the things I've heard is that a lot of nonprofits direct service working with different communities I've heard from a lot in the immigrant refugee communities are at the front lines of just doing basic communication and responding to community members. They are doing things like just telling people where to go to get testing, interpreting and translating information, and just on how to get unemployment benefits, as well as how to contact schools. There's still many students who still do not have access to the internet across the state just to get their work done. In addition to that, not only the nonprofits on the direct service side, but they've also been responding to the needs of a lot of business owners who are not -- you know, the tools out there for business owners if we thought that PPE was confusing for business owners it's mostly loans and many of them because of nontraditional financing do not want to take these loans on or were operating with very small margins or oftentimes were consultants, a very small microbusiness entrepreneurs. So understanding that's the context before pandemic and that going into pandemic exacerbates it, it may seem funny to talk about recovery and to actually to think or reimagine what recovery can be, right? But I really think this now more than ever is a time for us to do the dreaming and scheming, as some of my colleagues at Nexus say, the third way where we think of creative ideas, right? And especially in the report as it talks about the arts community, now more than ever we noticed to engage our artists in figuring out how creative ideas, what does it look like to build, for example, an economy that would be more democratic in ideas, right, what would it take for us to think of what it would mean to have more people present at tables, being part of decision-making. If we were to remove things like language barriers and how do we not just engage these creative ways but then tell these stories so that as we are embarking on recovery, we bear this in mind. Another piece too and a couple of other folks spoke to this but I want us to not forget that in the nonprofit sector more than any other sectors, our willingness

and history of partnerships, right, and leading to greater outcomes. In the first few weeks of the pandemic I was hearing from direct service providers about going insular at first, like how do we immediately respond, but then really then pivoting to being like what are others doing, how do we now start to work in partnership and knowing that the way that we operate like that is going to be the way we're going to be surviving and coming out of this as well. So it's really important to remember partnerships now more than ever. And of course I think as I mentioned earlier too, for us at Nexus we've been thinking about recovery in terms of how we think about governance and making sure we have leadership and monitor the results to make sure they are incorporating community efforts, we are also thinking about how do we build that economic democracy we've been embarking on work around work with cooperatives, especially now that businesses are going to be closing, I know it's going to be hard because workers right now may be out of work but how do we reimagine what that could be, what could be possible. So as we it be continue to think about this recovery, we all know that nonprofits have always played a really important role, right? Also for us Kari mentioned an altered role, we may need to think about ways to operate differently too as well. Within pushing back on maybe what structures are out there already defining for us, right, operating very different ways I think actually some of the things that have been happening before in the sector just combining assets, combining, you know, coming together in partnerships are ways that we have started to do this work and embed it. I think we noticed to not limit ourselves to some of these traditional models. It's interesting I've seen the comments many people are concerned with getting the day to day needs being met, absolutely, but we also have to think of the long term and what that will mean especially in you be certainty. But I would urge us to think, we have been here before, as a matter of fact, a lot of us work in areas of uncertainty, we work on issues where there will be long-term, we may not live to see the outcomes, and that so that we shouldn't let this dismay us necessarily and we'll need to acknowledge our role now more than ever for nonprofits to lead and help us redefine in the recovery. Thanks.

>> JON PRATT: Great. Thanks, Terri. That is sort of a big charge for us looking at recovery. I want to remind people that there will be a transcript available and I think you presented us with a lot of strategic material about how to think about this. One of the questions that came up, and maybe Susie you could address this, one of the questions was, can individual

nonprofits apply for the \$5 million to pay for new services created in response to COVID-19? So basically, what's going to happen with the 5 million when you think about that used for recovery, what does it mean?

>> SUSIE BROWN: The first part of the question is whether individual nonprofits can apply and the structure we've created is that this will go through intermediary groups. So a good way to think about it is, is there a group that you're affiliated with, for example, is there a group of housing providing nonprofits that can apply together? One of the grants we made early on was to violence-free Minnesota where the domestic violence shelters and violence prevention programs are in a coalition together, so we made a single grant of them and then they row granted because they know the needs in a better way than we possibly could for the organizations in that group. The second part of the question as I understand it was whether the resources can be used for new needs that have arisen because of COVID-19. Absolutely. Our hope is that this money flows as general operating and the purpose of it is for recovery and resilience of the nonprofit sector in Minnesota, so that would mean whatever needs are occurring in an organization would be fair game.

>> JON PRATT: Thanks, Susie. Lots of questions about the PPP, including do you have -- Kate, this is for you. Do you have any guidance that would indicate we could return the PPP loan and instead utilize the employee retention credit? It would be approximately 45 percent of the loan amount.

>> KATE BARR: The specific answer is yes, you can pay back the PPP loan, you can pay it back anytime that you want without a penalty. If you think that you are potentially kind of on that bubble around not actually being able to demonstrate economic uncertainty, I would advise you to pay it back by the 14th, by next Thursday, just because that's the current Safe Harbor. If, however, you don't think that's the issue but just you think it will work better for you to use a different source, you can pay it back to your bank anytime without a penalty.

>> JON PRATT: Do we know if the PPP forgiveness will be based on accrual or cash?

>> KATE BARR: I wish I knew everything. Right now from the language of the original guidance I think the conservative approach to take is cash because the words actually in the guidance is paid during the eight weeks, which means actually one of the really smart things to do is to look at your payroll schedule and decide whether or not you need to maybe do a special pay period so that you hit the eight weeks, because if

your pay periods just don't happen to line up with that specific eight-week period of time, you might want to just kind of play it safe by making a payroll in the eight weeks just to make sure you get in there. But again, guidance hasn't been issued but the word "paid" is the operative word in the guidance.

>> JON PRATT: Another piece still sort of up in the air, it's been noted that this is probably the biggest sort of disaster recovery resource, the CARES Act, that ever included nonprofits, so this is like a high watermark for best consideration and inclusion of nonprofits. On the unemployment side, it's only a 50 percent inclusion for those direct reimbursing nonprofits and Minnesota probably has just less than half of Minnesota nonprofit employers are direct reimbursers. So the CARES Act says they'll get 50 percent. Can those funds, can the sort of here is the question, can anyone speak to PPP and UI forgiveness? If I take PPP to do my employees, do they need to come off of unemployment insurance, still not a lot of guidance on forgiveness or the 50 percent reimbursement of unemployment insurance as a UI direct reimbursers?

>> KATE BARR: So I can't answer the specific question of the interplay between PPP and UI because there's a lot of it depends on the specific situation of that. I know that the overarching question that has really kind of been universal is for any nonprofit that has had to do some sort of furlough or reduction because of their activities, including organizations that just simply can't operate and offer their programs because of the shelter in place and the stay at home orders is what can they do when their employees are actually not working because they're actually not delivering programs. And because the guidance is about yet what we can learn from the language of the guidance is that the SBA is silent on what your employees should be doing during this eight week, really just that you should be paying them. So I know of a number of nonprofits that have essentially decided that now is the time to do those things that were on that list that they've always wanted to do, like there are a lot of databases getting cleaned up right now, I will tell you, from home, and things like that, there's a lot of professional development, learning and team building happening that can happen. One of the open questions the SBA has been asked to address is whether or not the eight weeks is an absolute or if they will extend that because if you are -- and remember, this program was really designed for small business, so just think about the restaurant on the corner. If the restaurant on the corner gets a PPP but they're not open, it doesn't do them any good. So therapy in the same boat as you -- so they're in the

same boat as you. The question is will the SBA extend the eight weeks to allow a longer period of time for use of the PPP so that then when you're able to start to do some operations and pay people, you'll actually have the cash when you need it? They haven't answered that question yet. There's considerable pressure from small business, which is a big voice in lobbying, but that hasn't been addressed yet. So for right now, we just have to toe the line with the eight weeks and it's paying people and how can you do that in a way. The interplay with UI I think is going to be a specific analysis where you would rely on either your attorney or your accountant or your banker to help you figure that out.

>> JON PRATT: Yeah, and that's certainly been an issue. Our MCN's public policy Director Ellis has been working double time on that including with Minnesota's congressional delegation and national organizations including the national Council of Nonprofits. There was also a -- I think Susie, one of the questions was, are the intermediaries using the disaster recovery fund to create their own emergency relief funds that we're seeing? And maybe you could say a little bit about, there's some other funds outside that as well, for philanthropic initiatives.

>> SUSIE BROWN: Sure. The intermediaries aren't using the funds on create new things, as far as I know, but there are new things that various institutions have created that have been funded by the Minnesota Disaster Recovery Fund. Examples would be local community foundations that are creating a response. There are various community foundations throughout the state that are building pulled funds for local response and the Minnesota disaster recovery fund has contributed to those. And Jon, if you have other funds in mind that you wanted me to mention, maybe you could name them because I'm not sure specifically what you're referring to.

>> JON PRATT: Well, the auto grammar trust had a major announcement, \$50 million.

>> SUSIE BROWN: Yes, (?) trust major announcement \$50 million which is loans to nonprofits, you can find out more about it both in the Minnesota Council of Nonprofits grants directory on their website as well as going directly to the auto brimmer trust website or contacting them with questions.

>> JON PRATT: Great. Thank you. So we have about eight minutes left, if -- you know, you can chat in your questions or comments. Grace, do you see any others that we haven't addressed, if you want to flag one?

>> Grace: Yeah, there's a general one I saw that might be

good for anyone to answer about what advice do you have for the very small rural nonprofits who typically are not eligible for many of the grants out there, arts under \$100,000 specifically? If anyone could speak to that.

>> JON PRATT: Panelists, this is an open mic.

>> KATE BARR: I'll jump in here because I think that one of the benefits that we have here in Minnesota are the regional arts councils, and in this particular case because it is arts, I would say that we have a number of resources around Minnesota that are regional in nature. The initiative funds are one. The community foundations as Susie mentioned, the regional arts councils, MCN's regional offices that I think are the better sources of that local intelligence around what to do. So I think that there are -- we have some real regional knowledge bases that are available to nonprofits and that's where I would be contacting for that.

>> JON PRATT: Thanks. Kate, I think this is for you. What is the status with the likelihood that nonprofits accepting the PPP loan are subject to the federal single audit?

>> KATE BARR: Nice nerd question, the answer is not, that the PPP will not trigger a single audit, so if you got an EIDL, economic disaster recovery -- whatever, that loan, that is, but not the PPP. That we do actually have that answer.

>> JON PRATT: Okay. If an application has a line of credit -- or if an organization has a line of credit and applies for the PPP, would that be an issue for forgiveness considerations?

>> KATE BARR: Having a line of credit should not be, but one piece of advice that's important is don't use the PPP to pay down your line of credit, even if you're just managing cash flow and stay I've got a month and so I can pay it down, don't do that because that would be seen as using it for debt instead of for payroll. So use the cash clean, perfect, just for the allowable uses. But having a line of credit will not be an eligibility question.

>> Grace: Also, Kate, could you comment on have any organizations with more than 500 employees received PPP this round? This person's organization has 530.

>> KATE BARR: I don't know the answer to that. There are some real technical specifics around that, whether or not you can apply for two if you have different locations, that's actually why Shake Shack got it, is why, and some of it has to do with how you account for employees. If it's more than 500 I would say it's worth a conversation with your bank to see if they would accept the application.

>> JON PRATT: There was a question, can you give any updates on the 50 percent UI reimbursement process and if there have been any information provided by Department of Labor or DEED after last week's news release on direct reimbursement? And there was a lot of concern of organizations nationally about this. I would say Marie Ellis would be the best contact on this, so there's been, you know, trying to get Department of Labor to get clearer about what their guidance means and they've been -- I think this has been a situation, you know, not unexpected in a crisis where both the SBA and the Department of Labor in their different areas are constantly revising guidance to organizations they interact with. So it is a work in mostly progress but there's a lot of this is sort of the epic uncertainty that organizations are dealing with. Grace, do you see sort of a final question we can pose?

>> Grace: Yeah, there's a great question on how the nonprofit as a field can help support the advocacy that MCN and Propel are leading around PPP loan extension and is UI payment forgiveness and what current advocacy is underway.

>> JON PRATT: Kate, do you want to --

>> KATE BARR: I'll answer the PPP. I think the PPP question of the advocacy extension would be to just reach out to your member of Congress and tell them that that's important and that because -- and remember that your voice is being joined with all those small businesses, so we are a powerful force together. So I would encourage you to just, it can be a quick message to your member of Congress and your senator that says the eight weeks is really onerous, it's a constraint in order for you to continue to pay people and really recover, so I would just send a message, no particular -- I haven't seen a form, but just send that message. The more voices, the better.

>> JON PRATT: Great. Certainly the overall, you know, advocacy strategy is numbers count and this is where having 2200 nonprofit members of MCN is very, very useful on everything from negotiating discounts with Zoom to making our case with the state legislature and with members of Congress. So as I think many people on the call know, we've had five calls with the governor's office and trying to get nonprofits at the table interacting getting questions answered and weighing in on what are the needs and perspectives of the nonprofit sector on everything from Medicare and Medicaid, state funding, DHS, flexibility, DEED funding and also with Congress about sort of the second phase of CARES, nonprofits have been very active, we had unemployment issue, we had a sign-on letter with 110 nonprofits telling their stories of sort of the role of direct

reimburseurs, how this would affect their organizations. So thank you for that question, and clearly, in a crisis, public policy is absolutely critical and government, the federal government especially is the one entity that has the resources to really sort of turn this around and adjust to the crisis. So I want to thank Kari Aanestad, Kate bar, Susie Brown, Terri Thao or our talent. May 18 is next call with the governor's office at 11:30. May 22 doing a briefing on Minnesota grants and these COVID resources including results of interviews with foundations and state agencies on house they have adapted and -- on how they have adapt and had what their latest developments are. MCN itself has decided basically for the balance of the year all of our events will be remote, will be virtual events, so we've made that conversion with the finance conference in partnership with Propel Nonprofits and it worked very well. We actually made a move from 350 registrants to 550, so for our fundraising and communications conference, we'll be doing the same as well as with the annual conference in October. So this is a changed world and MCN, like other organizations, is adapting. So thank you, Kate, Kari, Susie and Terri, and thank you all for participating in this. It's been recorded and there's a transcript available as well, and certainly we encourage you to read the report. Thanks for participating.

(The meeting concluded at 11:01 a.m. CST)

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